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February 4, 2015

Bob Bartholomew, Director of Finance
City and Borough of Juneau
155 S. Seward Juneau, Alaska 99801

Re: Final TERC Recommendations

Dear Mr. Bartholomew:

First, let me say that the board of directors of the Juneau Chamber of Commerce respects the many hours of work that has been spent by CBJ staff and the TERC to address the fiscal impacts of any changes to the sales tax exemptions.

The JCC offered our initial set of recommendations in our letter of October 9, 2014, and we continue to believe there are significant reductions in spending that are possible without impacting services. The CBJ must continue a deliberative process to identify significant cost reductions in the near term and adopt policies to control costs in the longer term. Our position will be supported only with meaningful and significant reductions; however, we recognize that cost reductions must be accompanied by revenue adjustments to address ongoing budget concerns.

We have subsequently reviewed the final TERC recommendations consisting of six actions and would recommend changes noted below. The following are the TERC recommendations with the JCC comments/position following each.

Increase the sales tax cap on sale of single item or single service from \$7,500 to \$14,000.

The JCC agrees that the sales tax cap should increase but at this point only to \$10,000 with the addition of a five-year sunset provision, giving the CBJ the opportunity to adjust within a reasonable timeframe.

While a single large purchase, such as a new vehicle (assuming the TERC recommended cap of \$14,000) results in an incremental increase of \$325, the impact on businesses paying (for example) monthly for scheduled professional services or leased space, would feel the impact of an annual \$3,900 increase for each instance. This harms the competitive position of local businesses with similar businesses outside of our community. While the exemption cap has remained unchanged for a

long period of time, we believe that the magnitude of the increase should be brought into line over a longer period of time.

Remove senior sales tax exemption eligibility for non-Juneau residents

The JCC agrees with this recommendation.

Remove senior sales tax exemption for meals purchased at restaurants / eating establishments

The JCC agrees with this recommendation.

All seniors would be exempt on essentials (food, electricity and heating fuel).

The JCC agrees with this recommendation with the understanding that an exemption card would be issued to “all” seniors.

Seniors qualifying on an income level of 250% AK Poverty would retain the existing full exemption on all qualifying purchases.

The JCC recommends that the CBJ address the hardship exemption for qualifying seniors through a “rebate” process rather than a more cumbersome two-card approach. Creating a two-tiered card system creates a number of operational and social issues that would be eliminated by simply allowing “all” seniors to present their card to a store without having to be identified as poverty level. Qualifying seniors could receive their rebate through a more structured and confidential process similar to the property tax exemption.

It has been argued that seniors at the poverty level need this additional exemption on an immediate basis. The JCC suggests that this could be addressed by allowing qualifying seniors to apply for the rebate this year based upon 2014 income, essentially getting an “advance” on their exemption, and continue in subsequent years paying in “advance.” The rebate would be a fixed amount determined by CBJ Finance.

In addition, we recommend that the hardship exemption have a sunset provision of three years, to enable the CBJ to readdress the financial and operational impacts of this change.

Lower the property tax hardship income qualification level from 120% of median income to a 4 tiered program based on 250% of the federal poverty level for Alaska.

The JCC agrees with this recommendation.

The JCC encourages the Assembly to take immediate action on these recommendations *with our proposed changes* to bring this current effort to a conclusion.

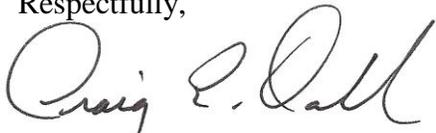
We still believe that our other recommendations described in our October 9, 2014 letter be pursued as soon as practical. We believe that a 1% sales tax increase in concert with an across-the-board exemption for essentials (food, heating fuel and electricity) would provide the CBJ with a net

revenue gain approaching \$2 million annually. These changes would impact all residents of Juneau providing an immediate savings on essentials for all families, while creating an additional revenue stream for the CBJ on all other purchases. We see this action as “in addition to” the recommendations currently under consideration. Businesses will have negative repercussions from

an increase in sales tax, but we believe that it creates a shared responsibility for closing the fiscal gap in the CBJ budget.

As always, we will work closely with you, your staff and the Assembly to find the most equitable solution for the residents and businesses of Juneau.

Respectfully,

A handwritten signature in black ink, appearing to read "Craig E. Dahl". The signature is fluid and cursive, with the first name "Craig" being the most prominent.

Craig E. Dahl
Executive Director
Juneau Chamber of Commerce

cc: Honorable Mayor Merrill Sanford
Members of the Assembly